

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00

DODE-00 DOTE-00 INR-07 NSAE-00 RSC-01 FAA-00 PM-03

H-01 L-02 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

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P R 0171606Z JAN 75

FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC PRIORITY 8289

INFO AMEMBASSY CARACAS

AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY NASSAU

AMEMBASSY OTTAWA

AMEMBASSY PORT OF SPAIN

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E.O. 11652: N/A

TAGS: ETRN EAIR BB

SUBJ: CIVAIR: GOB CIVAIR POLICIES COME UNDER FIRE

REF: (A) BRIDGETOWN 2205 (12/24/74); (B) BTN 1441 (74)

SUMMARY:

GOB CIVIL AVIATION POLICIES DESIGNED TO HELP LOCALLY OWNED CARGO CARRIER "CARIBWEST" AND TO ADVANCE ICA INTERESTS HAVE COME UNDER FIRE FROM BOTH MEDIA AND BUSINESS COMMUNITY. INTERIM AGREEMENT WITH GOC HALTS AIR CANADA TRAFFIC TO BARBADOS FROM SEVERAL OTHER COMMONWEALTH ISLANDS AND GOB HAS MOVED TO RESTRICT BWIA CARGO OPERATIONS IN ORDER TO STEER BUSINESS TO CARIBWEST, A MOVE THAT COULD HAVE ADVERSE EFFECTS ON BARBADOS' EXPORT INDUSTRIES.

END SUMMARY

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1. PAST WEEK HAS SEEN GOB CIVIL AVIATION POLICIES REGARDING BOTH PASSENGER AND CARGO OPERATIONS COME UNDER FIRE FROM MEDIA AND BUSINESS COMMUNITY. ADVOCATE NEWS (AN) ARTICLE OF JANUARY 10 ALLEGING THAT GOB HAD HALTED BWIA THRICE WEEKLY CARGO FLIGHTS TO MIAMI PROMPTED BARBADOS MANUFACTURERS' ASSOCIATION PRESIDENT TO WARN OF "VERY SERIOUS VOID IN AIR CARGO TRANSPORTATION" THAT WOULD IMPACT ADVERSELY ON BARBADOS' EXPORT MANUFACTURING SECTOR.

FURTHER

AN STORY ON JANUARY 12 ALLEGED THAT GOB HAD ORDERED AIR CANADA TO CEASE PASSENGER OPERATIONS BETWEEN BARBADOS AND BERMUDA, ANTIGUA AND TRINIDAD IN RETALIATION FOR GOC REFUSAL TO GRANT GOB "FLAG CARRIER" INTERNATIONAL CARIBBEAN AIRWAYS (ICA) RIGHTS TO TORONTO AND WINDSOR. ARTICLE IMPLIED THAT REPORTED GOB MOVE WOULD HIG SAGGING HOTEL INDUSTRY BY REDUCING ISLAND-HOPPING TOURISM.

2. AIR CARGO PROBLEM IS COMPLEX AND HAS MORE IMMEDIATE IMPACT ON BARBADOS' ECONOMY SINCE IT DIRECTLY AFFECTS MOST OF ISLAND'S SMALL EXPORT MANUFACTURING SECTOR. BASIC FACTS ARE THAT LOCALLY OWNED "CARIBWEST AIRWAYS, LIMITED", WHICH HAS HELD CAB 402 CARGO CERTIFICATE FOR MIAMI THROUGH CARIBBEAN POINTS SINCE MAY, 1973, WAS IN SEVERE FINANCIAL DIFFICULTIES THROUGHOUT MUCH OF LAST YEAR (REFTEL B). CARIBWEST'S PROBLEMS STEMMED FROM OVERSTAFFING AND BAD MANAGEMENT. IN MID-NOVEMBER, 1974, LOCAL OWNERS PAID OFF US CREDITORS AND RESUSCITATED NEAR-DEFUNCT COMPANY UNDER NAME OF "CARIBWEST MANAGEMENT, LTD." (WHILE, HOWEVER, RETAINING ORIGINAL COMPANY IN ORDER TO MAINTAIN VALIDITY OF 402 CERTIFICATE) AFTER CHANGING BANKS AND MAKING REPAYMENT ARRANGEMENTS WITH LOCAL CREDITORS. (ONE OF WHICH, PAN AMERICAN, HAS ASSISTED RESUSCITATION EFFORT IN HOPES OF GETTING AT LEAST SOME OF ITS MONEY BACK), "CARIBWEST MANAGEMENT LTD." THEN OBTAINED WET LEASE OF TWO SUPER CONSTELLATIONS AND ONE C-46 FROM US FIRM AND BEGAN FLIGHTS TO US LATE LAST MONTH. THUS FAR, HOWEVER, CARIBWEST HAS NOT BEEN ABLE TO GENERATE MUCH CARGO BUSINESS.

3. GOB HAS NOW BEGAN TO PUT PRESSURE ON BWIA IN ORDER TO SHORE UP LOCALLY-OWNED CARIBWEST. GOB HAS NOT ACTUALLY DENIED BWIA RIGHT TO CONTINUE CARGO OPERATIONS, BUT IT CLAIMS THAT CARGO AUTHORIZATION UTILIZED BY BWIA PERMITTED UP TO SEVEN WEEKLY FLIGHTS WITH BOEING 707 EQUIPMENT, BUT THAT BWIA INSTEAD USED DC-6'S CHARTERED FROM US FIRM FOR SERVICE ABOUT THREE TIMES PER WEEK. GOB MAINTAINS PUBLICLY THAT IT HAS NOT WITHDRAWN PER-LIMITED OFFICIAL USE

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MISSION FOR BWIA CARGO FLIGHTS "SO LONG AS BWIA OBSERVES CONDITIONS LAID DOWN BY LICENSING AUTHORITY". (GOB HAS NOT DISCLOSED PUBLICLY ABOVE DETAILS OF BWIA AUTHORIZATION). BWIA HAS DECLINED TO COMMENT ON ISSUE PUBLICLY AND INFORMED EMBOFF ONLY THAT "TYPE OF EQUIPMENT" WAS NOT ISSUE.

4. ONE US CARRIER CLAIMS THAT BWIA WAS VIOLATING IATA AGREEMENTS BY TRANSPORTING CARGO AT LOWER THAN IATA RATES AND THAT IT WELCOMED GOB ACTION WHICH WOULD TEND TO BRING ORDER INTO AIR CARGO OPERATIONS HERE. GOB IS EVIDENTLY GOING ALL OUT TO HELP CARIBWEST FOR, IN ADDITION TO PRESSURE ON BWIA, GOB HAS ALSO BEGUN TO PRESS ONE US CARRIER TO MOVE ITS EXCESS US-BARBADOS AIR CARGO FROM US CHARTER TO CARIBWEST. PM CLAIMS THAT AMPLE CARGO LIFT EXISTS HERE WITH SCHEDULED PASSENGER/CARGO FLIGHTS AND CARIBWEST AND THIS VIEW IS ECHOED BY PAA. A SECOND US CARRIER AND SOME LOCAL BUSINESSMEN COUNTER THAT WHILE AMPLE LIFT EXISTS FROM BARBADOS TO OUTSIDE POINTS, THERE IS SHORTAGE OF CAPACITY INTO BARBADOS, ESPECIALLY FROM US. A SECOND PROBLEM IS THAT FORMER CARIBWEST LINE WAS NOT DISTINGUISHED FOR ITS RELIABILITY WHICH WAS PRINCIPAL REASON FOR ITS LACK OF BUSINESS AND ITS FINANCIAL TROUBLES. BARBADOS' BASED ELECTRONIC ASSEMBLY PLANTS, FOR INSTANCE, MUST HAVE CONSTANT RELIABLE SUPPLY OF COMPONENTS IN ORDER TO KEEP EMPLOYEES PRODUCING.

5. COMMENT: OBVIOUSLY GOB IS GOING TO SOME LENGTHS TO PROTECT AND FOSTER CARIBWEST. MOVEMENT OF GOB INTO CARGO BUSINESS IS PROMPTED BY PM'S CONSUMING INTEREST IN AVIATION MATTERS. WHILE ECONOMIC EFFECT MAY BE LESS DIRE THAN PM'S CRITICS MAINTAIN, IT IS UNLIKELY THAT THIS EFFORT TO HELP CARIBWEST WILL BRING BARBADOS ANY SUBSTANTIAL BENEFITS AND FURTHER QUARREL WITH BWIA IS NOT LIKELY TO MAKE IT ANY EASIER TO RESOLVE MODDLED AVIATION PROBLEMS OF REGION.

6. CESSATION OF AIR CANADA PASSENGER SERVICES FROM OTHER

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DODE-00 DOTE-00 INR-07 NSAE-00 RSC-01 FAA-00 PM-03

H-01 L-02 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

/072 W

----- 073727

P R 0171606Z JAN 75

FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC PRIORITY 8290
AMEMBASSY CARACAS
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POINTS IS RESULT OF INTERIM BILATERAL SIGNED NOVEMBER 20, 1974 (REFTEL A). SUCH ACTION IS NOT, STRICTLY SPEAKING, "RETALIATION" FOR NOT GRANTING GOB ROUTES TO WINDSOR AND TORONTO. GOB-GOC ROUTE NEGOTIATIONS CONTINUED FOR WELL OVER YEAR AND INTERIM AGREEMENT WAS SIGNED ONLY AFTER IT BECAME APPARENT THAT NO AGREEMENT WOULD BE REACHED ON EXTENSION OF FIFTH FREEDOM RIGHTS TO EITHER PARTY BY OTHER, HENCE CANADA AGREED TO CONTINUE SERVICES TO BARBADOS WITHOUT INVOLVING OTHER POINTS. MEDIA APPARENTLY RECENTLY ACQUIRED SOME BACKGROUND ON NEGOTIATIONS WITH CANADA AND PLAYED UP STORY IN FACE OF SLACKENING TOURIST SEASON.

7. ONE INTERESTING POINT OCCURRED DURING TELEVISED PRESS CONFERENCE ON JANUARY 15 WHEN PM, DISCUSSING CIVAIR AND OTHER PROBLEMS, ATTEMPTED TO DEFINE "BLIND SECTOR AUTHORITY" IN REFERENCE TO AIR CANADA'S SITUATION RE ANTIGUA AND OTHER POINTS TO BARBADOS. PM EXPLAINED THAT THIS AUTHORITY MADE IT IMPOSSIBLE
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FOR AIR CANADA TO PICK UP PASSENGERS BOUND FOR BARBADOS ORIGINATING IN ANTIGUA. TOURISM MINISTER PETER MORGAN INTERRUPTED AT THAT POINT TO ADD THAT AIR CANADA COULD, HOWEVER, BOOK A PASSENGER FROM TORONTO TO BARBADOS AND PERMIT HIM TO STOP OVER IN ANTIGUA FOR FEW DAYS BEFORE CARRYING HIM ON TO BARBADOS. MORGAN'S COMMENT IS COMPLETELY DIFFERENT INTERPRETATION OF "BLIND SECTOR AUTHORITY" THAN GOB HAS PREVIOUSLY MADE TO US CARRIERS HERE. GOB HAS, FOR INSTANCE, REFUSED TO PERMIT SUCH STOPOVERS ON EAL'S SAN JUAN - TRINIDAD ROUTE. (A CHECK WITH CANADIANS, HOWEVER, REVEALS THAT MORGAN'S INTERPRETATION IS NOT REPEAT NOT CORRECT. INTERIM AGREEMENT WITH GOC SPECIFICALLY DENIES STOPOVER RIGHTS FOR POINTS UNDER REFERENCE). IT WOULD BE USEFUL IN ANY DISCUSSIONS WITH GOB CIVAIR OFFICIALS TO HAVE US GOVERNMENT DEFINITION OF NON-TRAFFIC OR BLIND SECTOR AUTHORITY, I.E. DOES SUCH AUTHORITY USUALLY PERMIT STOPOVER TRAFFIC. (IT WOULD BE CONVENIENT FOR US TO HAVE THIS INFORMATION PRIOR TO ARRIVAL HERE JANUARY 22 OF EAL EXECUTIVES ON SWING THROUGH AREA). ACTION REQUESTED: WOULD APPRECIATE DEPARTMENT PROVIDING ABOVE INFORMATION AT EARLIES CONVENIENCE.

8. EMBASSY CONSIDERS THAT IT WOULD BE USEFUL TO EXCHANGE
COPIES OF OUR INTERIM CIVAIR AGREEMENT WITH CANADIAN HIGH COMMIS-
SION HERE, IF DEPARTMENT HAS NO OBJECTION. WOULD APPRECIATE
DEPARTMENT'S VIEWS ON SUCH AN EXCHANGE.
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